

Message Text

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FM AMEMBASSY GABORONE

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E.O. 11652: N/A

TAGS: ALOW, BC, LT, WZ

SUBJECT: POST ALLOWANCE (COST OF LIVING ALLOWANCE) - BLS STATES

REF: STATE 128843 DATED JUNE 29, 1973

FOR A/ALS AND AF/EX

1. POST NOTES REFTEL AUTHORIZES A POST ALLOWANCE FOR ALL POSTS IN THE REPUBLIC OF SOUTH AFRICA BASED ON THE IMPACT OF THE DEVALUATION OF THE DOLLAR AND THE REVALUATION OF THE R.S.A. RAND. EMBASSY THEREFORE FAILS UNDERSTAND WHY THE BLS COUNTRIES ARE EXCLUDED SINCE THE DOLLAR DEVALUATION AND RAND REVALUATION HAVE HAD THE SAME IMPACT ON THE BLS AS ON R.S.A.

2. THE FOLLOWING INFORMATION IS FURNISHED IN ORDER FOR A/ALS TO RE-EVALUATE AND REASSESS THE NEED FOR A POST ALLOWANCE FOR THE BLS STATES:

A. THE BLS STATES ARE MEMBERS OF THE RAND CURRENCY AREA AND ALL FOREIGN EXCHANGE RATES AND TRANSACTIONS ARE CONTROLLED BY RULES AND REGULATIONS ESTABLISHED BY SOUTH AFRICAN GOVERNMENT (SAG).

B. GOODS IMPORTED INTO THE BLS COUNTRIES FROM NON-SOUTH AFRICAN SOURCES ARE SUBJECT TO A COMMON EXTERNAL TARIFF STRUCTURE IMPOSED BY THE SOUTHERN
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AFRICAN CUSTOMS UNION COMPRISED OF SOUTH AFRICA, BOTSWANA,

LESOTHO AND SWAZILAND.

C. WITH EXCEPTION OF GOODS IMPORTED THROUGH CUSTOMS UNION, VAST MAJORITY ALL OTHER GOODS AND SERVICES CONSUMED IN BLS COUNTRIES COME FROM SOUTH AFRICAN PRODUCERS.

D. PRICES IN THE BLS STATES ARE GENERALLY HIGHER DUE TO TRANSPORTATION COSTS, WITH FOOD PRODUCTS USUALLY PRICED 10 TO 20 PERCENT ABOVE THOSE IN THE R.S.A.

E. A/ALS IS ALSO REFERRED TO THE CERTIFICATION APPEARING ON SCHEDULE S-8 OF THE POST FIELD BUDGET ESTIMATES UNDER "JUSTIFICATION FOR CURRENT YEAR PRICE INCREASES, LONG-RANGE FORECAST AND GENERAL STATEMENT OF PRICE TRENDS" WHICH STATES IN PART "THE PROXIMITY OF THE COUNTRIES OF BOTSWANA, LESOTHO AND SWAZILAND BRING THEM DIRECTLY UNDER THE ECONOMIC INFLUENCE OF SOUTH AFRICA. THE IMPACT OF VARIOUS ECONOMIC FACTORS IN THE REPUBLIC OF SOUTH AFRICA WILL HAVE A CORRESPONDING IMPACT ON THE ECONOMICS OF THE BLS COMPLEX." THE LAST TWO SENTENCES OF THE CERTIFICATION FURTHER STATE "OFFICIAL STATISTICS SHOW THAT FOR THE YEAR ENDING MARCH 1973, THE CONSUMER COST OF LIVING INDEX INCREASED BY 9.9 PERCENT (7.4 PER CENT FOR THE YEAR ENDING DECEMBER 1972) WHILE THE WHOLESALE INDEX WAS UP BY ALMOST 12 PER CENT. UNOFFICIAL ESTIMATES INDICATE THAT SINCE THE BEGINNING OF CY1973, INFLATION IS RUNNING AT AN ANNUAL RATE WELL ABOVE 10 PER CENT AND THAT FOOD PRICES HAVE INCREASED BY AS MUCH AS 17 PER CENT."

3. IT MUST BE EMPHASIZED THAT BOTSWANA, LESOTHO AND SWAZILAND HAVE VIRTUALLY NO INDEPENDENT ABILITY CONTROL PRICES WITHIN THEIR RESPECTIVE COUNTRIES. AS CONSEQUENCE, EACH TIME PRICE RISE OCCURS IN R.S.A., A SIMILAR AND OFTEN SLIGHTLY HIGHER INCREASE TAKES EFFECT SIMULTANEOUSLY IN THE BLS STATES IN MOST CONSUMER PRODUCT CATEGORIES.

4. IN VIEW ABOVE EMBASSY FEELS STRONGLY POST
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ALLOWANCE FULLY JUSTIFIED FOR BLS. GREATLY APPRECIATE EARLIEST POSSIBLE A/ALS REVIEW AND ADVICE.
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